



simply pensions

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➔ Pensions Act 2004

trustee knowledge and understanding

Here we provide information about a new 'knowledge and understanding' requirement proposed by the Government for trustees of money purchase schemes.

As part of the process of improving security for pension scheme members, the Government is proposing to introduce specific requirements relating to the knowledge and understanding that trustees must have about the scheme they are appointed to. These requirements will be in addition to all of the current requirements on trustees that are contained in law and in the scheme's governing documents. The proposed new requirements are included in the Pensions Act 2004. Further details will be provided in regulations which have not yet been finalised.

1. Effective date of change

We expect the new requirements to come into force on 6 April 2006.

2. The proposed 'knowledge and understanding' requirements

The aim of the new proposal is to ensure that you, as trustees, have enough knowledge of your scheme to carry out your duties properly on behalf of scheme members.

The new requirements split knowledge and understanding up into two parts.

First, you must be familiar with the key documents for the scheme, which are:

- your scheme's trust deed and rules
- any statement of investment principles
- any document recording policy you, as trustees, have adopted relating to the administration of the scheme in general

Second, you must have knowledge and understanding of:

- the law relating to pensions and trusts
- the principles relating to investment of pension scheme assets

Additional knowledge and understanding requirements can be specified in regulations.

The Pensions Regulator will issue a Code of Practice, which will give details of the kinds of knowledge, training, experience or qualifications that you will need to have to be regarded as fulfilling the requirements.

The level of knowledge and understanding required does not mean that, for example, the trustee has to know as much about pensions law as a lawyer, or as much about investment as an actuary. What it does mean is having a knowledge of the core aspects of running a scheme to a demonstrable level.



3. What happens now?

The proposals have not been brought into force by law, although there is no reason to believe they will not. You should therefore start considering what action you need to take next. This may include such things as training for existing trustees, training for future trustees and a process for keeping trustees up to date with any changes. Whatever you put in place should provide an audit trail, so you can demonstrate your compliance with the new requirements.

We will tell you when the legislation is in force and when more details are available. You will also be able to get guidance from the pensions regulator's website at:

 www.opra.gov.uk

This note is based on Scottish Equitable's current understanding of the legislation and proposed regulations. However, whilst every effort has been made to ensure its accuracy, Scottish Equitable cannot accept any legal responsibility for the information provided.